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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 005896

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DEPT ALSO FOR EUR MATT BRYZA AND STEVE HELLMAN

E.O. 12958: DECL: 10/11/2016

TAGS: [ENRG](#) [EPET](#) [PREL](#) [TU](#) [AJ](#) [RS](#) [IZ](#)

SUBJECT: TURKEY, IRAQ, AND PUSHING SOUTHERN GAS CORRIDOR

REF: A. ANKARA 5844

[1](#)B. ANKARA 5786

[1](#)C. ANKARA 5699

[1](#)D. ANKARA 5611

[1](#)E. ANKARA 5332

Classified By: AMBASSADOR ROSS WILSON FOR REASONS 1.5 (B AND D)

[1](#)1. (U) This is an action request - see paragraph 5.

[1](#)2. (C) SUMMARY: In an October 10 meeting with Ambassador and visiting NIO Europe Richard Kauzlarich, Energy Minister Hilmi Guler prioritized gas development in Iraq and expressed delight for our intention to pursue a U.S.-Turkey-Iraq working group on developing gas in Iraq. We recommend that the Department and Embassy Baghdad consider using the November 8-9 meeting of the Turkey-Iraq Joint Economic Commission in Ankara as an opportunity to include technical experts and launch the working group. Guler confirmed that he had invited Azeri MOF Sharifov to Ankara for a bilateral on southern gas corridor issues and said he had no objection to U.S. involvement if that would help accelerate the process. Guler pushed the Samsun-Ceyhan Bosphorus bypass oil pipeline and emphasized the need for urgency on implementing the southern gas corridor in the face of pressure from Russia. Guler supported arranging a briefing from a USG analyst on Caspian hydrocarbon potential, which was subsequently set for October 20 in Ankara. End Summary.

Concerns about Russian Pressure

[1](#)3. (C) Minister Guler started the meeting by lamenting increased Russian pressure on all potential southern gas corridor countries, particularly significant at the start of winter and at the moment that the Southern Caucasus Pipeline is almost ready. Alarming, Russia had told Azerbaijan it would reduce volumes and increase prices if it shipped to Georgia and Turkey. Guler stressed that Turkey (and he personally) were strong allies of the U.S. and committed to improving U.S.-Turkey relations, including making the southern gas corridor a reality as an alternative to Russia. He observed that Russia was "acting clearly" and time was on its side as few countries could individually withstand its

divide and conquer approach. Therefore we have to act faster. "If we don't see U.S. action", Guler said the U.S. might not be happy with the outcome, noting Turkey's 65% reliance on Russia for natural gas. He was indicating that it would be difficult for Turkey to refuse transit to Russian gas via an expanded Blue Stream if presented with European purchase commitments. Guler and MFA contacts have told us that Russians hold regular discussions with Turkey on Blue Stream and Turkey has been able to say no to date. They point out that Russia is suspicious and skeptical of Turkey's goal to serve as a regional energy hub, as well as more and more aggressive in using energy as a political tool. While emphasizing the need for haste, Guler refused to set a specific timeframe for decisions on a southern gas corridor or Blue Stream.

Prioritize Iraq - Create Working Group on Gas

¶4. (C) As alternatives to Russia, Guler cited three "instruments": first, trans-Caspian pipeline - TCP, "but I am tired of talking about that"; second, Iran (he criticized Europe's flirtation with Iran); and third, sending Iraq gas to Europe. Citing the need for critical support from the USG, Guler repeated his call (Ref E) for a U.S.-Turkey-Iraq working group on developing gas in Iraq, noting the easy egress to Turkey and possibly on to Europe via pipeline or to other markets as LNG from Ceyhan. Ambassador responded that the U.S. was committed and ready to launch the working group, even in advance of essential work on the new hydrocarbon law.

¶5. (SBU) Embassy proposes that the Department and Embassy

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Baghdad consider launching the U.S.-Turkey-Iraq working group on developing gas in Iraq as part of the Iraq-Turkey Joint Economic Commission scheduled for November 8-9 in Ankara (Ref A), including appropriate technical experts.

¶6. (C) In a separate meeting, MF Energy Coordinator Mithat Balkan also emphasized significant gas reserves in Iraq, in particular in the north. He noted that both Iraq and Azerbaijan could fill gaps in launching larger longer-term projects - like TCP and Nabucco - to help meet European demand. Balkan also called for greater visible U.S. support, noting that BTC success was just the first step. Clarifying his role, Balkan said he served as "energy coordinator", but the Minister of Energy was the chief negotiator for Turkey. In another separate meeting, former Energy U/S Yurdakul Yigitguden dismissed potential development of Iraqi gas and LNG processing at Ceyhan as "wishful thinking", questioning the economics and the extent of the reserves.

Where are the Europeans?

¶7. (C) In a number of energy meetings, Kauzlarich heard Turkish interlocutors question why aren't the Europeans more active in arranging purchase of southern corridor gas, giving value to diversification of supply as an alternative to Russia. Guler regreted that Germany, Hungary, and other European countries wanted to buy more Russian gas. MFA DDG Mithat Rende said that he now perceived the European Commission as more active, citing statements from a recent French delegation. He gave us credit for organizing an EU energy luncheon to demarche the EC rep on these issues (Ref D). Guler repeated his concerns about direct negotiations between Europeans and Iran.

¶8. (C) Guler repeated Turkey's commitment to developing the Samsun-Ceyhan Bosphorus bypass oil pipeline, stating that they were seeking Russian and U.S. support. He said Turkey was determined to build this with or without Russian oil.

Next Steps

¶9. (C) Ambassador and Guler agreed on next steps. Guler confirmed that he had invited Azeri MOF Sharifov for a bilateral to dispel uncertainty on Shah Deniz Phase I and lay the foundation for agreement on Phase II transit. He would be open to U.S. participation, perhaps by EUR DAS Bryza, if that would advance the process. Analyst Bud Coote will give a briefing on Caspian potential to the Minister (later arranged for October 20) (Ref C). November 16/17 has been identified for a broader IEA-convened southern gas corridor working group. The Ambassador said that Bryza had been in touch with Petronas about connecting western offshore Turkmen fields to provide egress via Azerbaijan (a so-called stealth TCP). Guler thought this was a good idea, but noted that TCP remained difficult given the personalities involved.

¶10. (C) COMMENT: Guler repeated oft-heard themes, and noted that he had spoken on these topics many times with EUR DAS Bryza and the Ambassador. He indicated frustration that the U.S. had not delivered more progress and support, yet he still has not implemented his key first action step of a bilateral with Azerbaijan (status is invitation delivered to MOF Sharifov). He placed greater emphasis on concern about and the need to counter Russian pressure, emphasizing that time was in Gazprom's favor, as well as on hopes for Iraq gas potential. He pulled back somewhat on previous emphasis on trans-Caspian potential compared to earlier meetings, although he did not exclude its long-term importance.

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